

New income tax rule changes from 1 April 2022. Details here

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There are many changes in the income tax rules effective from the next financial year. Income tax on crypto assets, filing of updated returns, new tax rules on EPF interest, and tax relief on Covid-19 treatment are some of the major changes effective from 1 April 2022.

7 major changes in income tax effective from 1 April 2022

1) Crypto Tax

The crypto asset tax regime in India will gradually roll out in the financial year starting April 1. Provisions on the 30% tax will be effective at the start of the fiscal year while those related to the 1% TDS will come into effect from July 1, 2022. The 2022-23 Budget has brought in clarity concerning the levy of income tax on crypto assets. The threshold limit for TDS would be ₹50,000 a year for specified persons, which include individuals/HUFs who are required to get their accounts audited under the I-T Act.

2) Crypto losses cannot be set off against crypto gains or other assets

The Indian government has tightened norms for crypto by disallowing losses incurred in a particular digital asset to be set off against income from another version of a crypto holding. The government won't allow tax breaks on infrastructure costs incurred while mining crypto assets as it won't be treated as the cost of acquisition. For instance, if you make a ₹1000 gain on bitcoin and a ₹700 loss on Ethereum, you have to pay tax on ₹1000 and not on your net profit of ₹300. Similarly, you cannot set off gains and losses on cryptocurrency against gains and losses in other assets like stocks, mutual funds or real estate.

3) Filing of updated IT Return

A new provision is inserted that allows the taxpayers to file an updated return for errors or mistakes done in income tax returns. Taxpayers can now file an updated return within two years from the end of the relevant assessment year.

4) NPS deduction to State government employees

The State government employees will now be able to claim deduction under Section 80CCD(2) for NPS contribution by the employer up to 14% of their basic salary and dearness allowance, which is in line with the deduction available to the Central government employees under the said section.

5) Tax on PF account

The Central Board of Direct Taxes (CBDT) has decided to implement Income-tax (25th Amendment) Rule 2021 from April 1. It means that a cap of tax-free contributions up to ₹2.5 lakh is being imposed on the Employee Provident Fund (EPF) account. If the contribution is made above this, then the interest income will be taxed.

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6) Tax relief on Covid-19 treatment expenses

As per the Press Release on June 2021, tax exemption has been provided to persons who have received money for Covid medical treatment. Likewise, money received by family members on the death of a person due to Covid will be exempt up to Rs. 10 lakhs for family members if such payment is received within 12 months from the date of death. This amendment will be effective retrospectively from April 1, 2020.

7) Tax relief to persons with disability

The parent or guardian of a differently-abled person can take an insurance scheme for such a person.